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Before the FEDERAL COMMUNICATIONS COMMISSION Washington, D.C.

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In the Matter of) Nov 2 3 1998
GTE CORPORATION, Transferor,	FEDERAL COMMUNICATIONS COMMISSION OFFICE OF THE SECRETARY
and) CC Docket No. 98-184
BELL ATLANTIC CORPORATION, Transferee,	RECEIVED
	NOV 2 3 1998
For Consent to Transfer of Control.) FEDERAL COMMUNICATIONS COMMISSION OFFICE OF THE SECRETARY

PILGRIM TELEPHONE REQUEST FOR CONDITIONS ON BELL ATLANTIC/GTE MERGER

The proposed combination of Bell Atlantic and GTE would merge one company with a healthy pro-competitive ethic – Bell Atlantic – with another – GTE – that has a profound antipathy to competition. Should this merger proceed, it is critical that the abuses of monopoly power that come so easily to GTE not infect the merged entity. Thus, Pilgrim Telephone requests that the Commission, as a condition to approving the merger between Bell Atlantic and GTE, require the merged entity to offer billing and collection services to providers of non-subscribed services on fair and non-discriminatory terms. This year, GTE cut off billing and collection services to Pilgrim Telephone, a provider of casual calling services, in order to eliminate Pilgrim as a competitor. Cutting off competing providers of non-subscribed services, in combination with GTE's marketing of the advantages of a "single bill," reveals nothing short of an attempt to run the competition out of business. Without imposing billing and collection requirements on the merged entity, this merger will harm the public interest by stifling competition and reducing consumer choice. But by requiring the merged entity to offer billing and collection services to providers of non-subscribed interexchange services on fair and non-

No. of Copies rec'd 0+12 List ABCDE discriminatory terms, the Commission can prevent GTE's anticompetitive attitude from infecting the merged entity.¹

<u>ARGUMENT</u>

Pilgrim Telephone, Inc. is an interstate interexchange carrier providing common carrier services, including presubscribed 1+ calling, 0+ and 800-number collect calling, calling card calling, 101-XXXX access, and teleconferencing services. Pilgrim also provides enhanced/information services, including specialized teleconferencing, voice mail, voice store and forward, and 900 services. GTE offers many of these same services, including calling cards, call forwarding, voice mail, and three-way conferencing.²

In April of this year, GTE notified Pilgrim that it would not renew its billing and collection contract. Despite numerous pleas by Pilgrim to continue the relationship, GTE has refused to even to discuss a new contract. In July, GTE ceased billing and collection for Pilgrim. Accordingly, Pilgrim no longer serves collect callers wanting to reach friends or family who obtain local telephone service from GTE. Likewise, Pilgrim no longer provides any communications services that would need to be billed to GTE's local phone customers through GTE, including any casual calling services, any calls billed to line-based calling cards, and any 1+ calls.

In sharp contrast to GTE's attempts to handicap Pilgrim, Bell Atlantic has consistently provided high-quality billing and collection services to Pilgrim on fair and reasonable terms.

With respect to Pilgrim, Bell Atlantic has never attempted to use its control over the local phone

¹ Non-subscribed services, referred to colloquially as methods for "casual calling" or "casual access," include 101-XXXX, collect calling services, 900 services, calls billed to verified third-parties, and other services.

² See Exhibit A attached hereto.

bill for anticompetitive purposes. By requiring the merged entity to offer billing and collection services to casual access providers under fair and non-discriminatory terms, the Commission can prevent GTE's anticompetitive practices from spreading.

I. The Commission Must Prevent the Merged Entity From Destroying Competition Between Providers of Casual Calling Services.

The Commission should insure that GTE's anticompetitive behavior against Pilgrim

Telephone does not govern the practices of the merged entity. Given the prospective breadth and reach of the merged entity, Pilgrim and all other non-subscribed service providers in the merged entity's coverage area will face an insurmountable competitive hurdle if the merged entity adopts GTE's tactics. The Commission must not allow the merged entity to maliciously weed out smaller competitors through unfair practices.

Sections 214(a) and 310(d) of the Communications Act require applicants for a merger to convince the Commission that the transaction serves the public interest, convenience, and necessity.³ Bell Atlantic and GTE argue that their merger will serve the public interest because the merged entity will have the resources and infrastructure to "attack the local markets of other Bell companies," thereby promoting vigorous competition.⁴ If, however, the merged entity uses its increased power to prevent smaller competitors from succeeding in the market or from entering the market in the first place, then the merger will ultimately harm competition and consumers will suffer through fewer choices in a market dominated by fewer players. Since no practical alternative for LEC billing and collection currently exists, this is exactly what will

³ See Application of Nynex Corporation, Transferor, and Bell Atlantic Corporation, Transferee, For Consent to Transfer Control of Nynex Corporation and Its Subsidiaries, Memorandum Opinion and Order, 12 FCC Rcd. 19985, 19987 (1997) ["Bell Atlantic/Nynex Order"].

⁴ Bell Atlantic-GTE Application for Transfer of Control, CC Docket No. 98-184, at 6 (filed Oct. 2, 1998).

happen in the areas served by the merged entity if the GTE practice of denying these services to IXCs it does not like controls the policies of the merged entity.⁵

The Commission should not allow the merged entity to cut off actual or potential competitors to gain a competitive advantage. In general, LECs have profited from the fees they receive for offering billing and collection services to IXCs. Discriminating against non-affiliated casual calling providers like Pilgrim only makes sense as an attempt to drive up the cost of competition, promote market exit, and cement LECs as the only parties capable of billing non-subscribed services on a single statement with local telephone charges. Before the Telecommunications Act of 1996 waved the interexchange carrot under their noses, the LECs willingly provided billing and collection services. This shows that offering billing and collection places no unjustifiable burden on the LECs.

Economic reality requires that companies like Pilgrim have access to the merged entity's billing and collection services if they are to effectively compete as real alternatives to these entrenched service providers. The monopoly rate-paying public created, built, and maintained both GTE's and Bell Atlantic's billing and collection services, and the only reason these LECs are sending bills to almost everyone with a phone is because they have been monopolies. The economies of scale and collection capabilities of GTE and Bell Atlantic are a legacy provided by local phone customers who for decades had no choice but to obtain telephone service from these incumbent local exchange carriers. Developing a billing relationship with a customer is easy when you are the monopoly service provider of a necessary and subsidized product; it is next to

⁵ All carriers depend on the billed party's local exchange carrier to bill non-subscribed services such as collect calls. The only situation where carriers do not have to depend on the LEC is where the billed party happens to be a subscribed customer of the same carrier. But no carrier is able to provide universal access to non-subscribed services without LEC billing.

impossible if you are a new entrant to the field competing against those same entrenched monopolists.

Customers want a single bill, and GTE understands this point only too well – GTE touts its "One Bill Service" as one of the major attractions of using GTE for home phone, long distance, cellular, paging, and Internet services. By ceasing to provide billing and collection services to Pilgrim, GTE promotes its own calling card services and casual access telemessaging services. It simply cannot be the Commission's policy – or the intent of Congress in enacting the 1996 Telecommunications Act – to encourage LECs like GTE to act anticompetitively or to maintain an unequal playing field.

II. The Commission Should Require the Merged Entity to Provide Billing and Collection Services to Casual Calling Providers on Fair and Non-Discriminatory Terms.

In approving the GTE and Bell Atlantic merger, the Commission should use its authority to condition mergers to create an enforceable standard guaranteeing to Pilgrim and to parties similarly situated access to the billing and collection services of the merged entity on fair and non-discriminatory terms.⁸ GTE attempted to justify its decision to quit providing these services

⁶ See Exhibit B attached hereto.

⁷ GTE also refuses to provide billing and collections for certain information services, such as adult chat groups. While this decision is often described in moral terms, it is sheer hypocrisy since GTE also offers international dial-a-porn services. GTE has long profited from a scheme to route dial-a-porn calls to a subsidiary carrier in the Dominican Republic which shares its profits with a dial-a-porn operator.

⁸ The Commission clearly has the authority to condition the merger. *See, e.g., Bell Atlantic/NYNEX Order*, 12 FCC Rcd. at 20070. Section 214(c) of the Communications Act states that the Commission may attach to a transferred license "such terms and conditions as in its judgment convenience and necessity may require." 47 U.S.C. § 214(c); *see* Mergers, Consumers, and the FCC, Remarks of Commissioner Gloria Tristani before the National Association or Regulatory Utility Commissioners, Nov. 8, 1998 (available at http://www.fcc.gov/speeches/tristani/spgt813.html).

to Pilgrim on the grounds that Pilgrim had incurred several complaints from consumers.⁹

However, GTE's conduct demonstrates that its stated reason is simply a pretext for driving a competitor out of business. GTE is now refusing to even bill for collect calls carried by Pilgrim that terminate in GTE's service area. But GTE was unable to provide Pilgrim with any consumer complaints arising from collect calls or with any other justification for its refusal to provide billing for collect calls. GTE is using its monopoly position to drive Pilgrim – and perhaps other casual calling carriers – out of business, plain and simple.

The standard must therefore prevent the merged entity from using a fictitious business justification to cut off providers of non-subscribed services for competitive gain. GTE's behavior has shown that it will not hesitate to do so. If the merged entity were to continue with these practices, all such providers in the merged entity's service area would be at risk of losing a key component of their business at any time. Casual access providers must be permitted a reasonable number of complaints because casual calling services, unlike presubscribed interexchange services, by their very nature generate occasional complaints.

Further, the standard must insure that the merged entity does not have the freedom to bill and collect for its own services while refusing to offer those services to providers of competing non-subscribed services. Once a Bell Operating Company is permitted to offer in-region long-distance, Section 272 may guard against discriminatory treatment. But Bell Atlantic has not yet applied to the Commission for authority to offer in-region long distance, and this statutory

⁹ GTE bases its refusal to provide service to Pilgrim Telephone on the ground that five complaints were made against Pilgrim in January 1998 and two complaints were made in February 1998. But in January 1998 GTE rendered 14,156 bills for Pilgrim and in February 1998 GTE rendered 12,034 bills for Pilgrim, so the ratio of complaints to bills rendered is tiny. Pilgrim Telephone questions both the legitimacy of these seven customer complaints and the commercial reasonableness of ending a contractual relationship because of such a small number of complaints.

protection is not applicable at all to GTE. If the merged entity is permitted to discriminate in the provision of billing and collection services in what are now GTE's service areas, competitors like Pilgrim cannot succeed, and consumers will soon have fewer choices. Other casual access providers simply cannot compete against the merged entity because it alone would have access to a critical component of any successful telecommunications service provider.

CONCLUSION

If GTE and Bell Atlantic are allowed to merge with the freedom to cut off billing and collection services to casual access providers, those providers will not be able to effectively and efficiently compete in the market. Competition and ultimately consumer welfare will suffer. Pilgrim Telephone therefore requests that the Commission require the merged entity to provide billing and collection services to providers of non-subscribed interexchange services on fair and non-discriminatory terms as a condition for the grant of authority to merge. In doing so, the Commission will insure that GTE's anticompetitive business practices do not undercut any procompetitive benefits that may grow out of the GTE and Bell Atlantic combination.

Respectfully submitted,

PILGRIM TELEPHONE, INC.

Scott Blake Harris

Jonathan B. Mirsky

Harris, Wiltshire & Grannis LLP 1200 Eighteenth Street, N.W. Washington, DC 20036

(202) 730-1300

November 23, 1998

Exhibit A

PRODUCTS CUSTOMER ABOUT CAREERS AND SERVICES

PRODUCTS SUPPORT GTE ATGTE

Voice Mail



Never Miss A Call: GTE Voice Mail answers your phone when you're away from home or on the phone. It works during power outages, there are no damaged tapes to contend with, no busy signals, no equipment to buy, and it can take three messages simultaneously. It's great for when you're on the Internet, and it gives you a more professional image for your home office.

Better Than An Answering Machine: GTE Voice Mail provides you with all the services of an answering machine, but with greater reliability. It records messages, along with details such as time and date. It reminds you of birthdays, anniversaries and other events, and even provides you with wake-up service.

GTE Voice Mail Basic Features: Voice Mail from GTE comes with the following standard service features:

- Call Answering: You don't have to worry about missing an important call. GTE Voice Mail answers your calls even when you're on the phone.
- Wake-Up Service: Give yourself a wake-up call to get ready for work, school or an important appointment.
- **Reminder Messages:** Leave yourself a message to remind you of birthdays, anniversaries, airline schedules and more.

GTE Voice Mail Optional Features: GTE Voice Mail offers these options which you can add to your basic service at any time for a small additional monthly fee. These options are free to residential customers in most states who have four or more individual qualifying GTE calling services on a single bill (free offer is not available in Arizona, California or Nevada).

- Individual Message Box: Lets you store separate incoming messages for different family members or for your home-based business.
- Pager Notification: If you have a pager, GTE Voice Mail will page you to let you know when you receive a message.

- Audible Ring Burst: Lets you know when you have a message without having to pick up the phone.
- Customer Controllable Ringing: If you need more time to get to the phone, set the number of rings before Voice Mail will answer the call.

One Source For All Your Telecommunications Needs: If you have GTE as your local phone service provider and you order Voice Mail from GTE, you can have these services on one bill. In fact, if you sign up for any other GTE service such as Long Distance, Internet access, Wireless phone service or paging, you can now get all these charges on GTE One BillSM Service.

Questions about how to use your GTE Voice Mail features? Check out our online User Guide: How Do I Use My Residential Voice Mail?

To order, call 1-888-972-1889.

All services not available in all areas.

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PRODUCTS CUSTOMER SHOUT GTE CAREERS ATGTE

GTE Long Distance Calling Card

Take advantage of your GTE Long Distance service when you're on the go. GTE helps you stay in touch with home and office on **your** terms. Avoid high hotel rates for long distance calls and bypass the sky-high rates of no-name long distance companies (and don't spend your time hoarding quarters for payphones).

Home or Away

Call from any phone in the US and Canada to any phone around the world with your GTE Long Distance Calling Card, and still get GTE guaranteed rates. Here's what you get:

- Speed Dial. Program and store up to 79 phone numbers for your convenience
- Next Call/Misdial. Don't hang up between calls; save time by pressing the # key
- Optional calling prompts in Spanish
- Calls can be restricted to domestic long distance usage to reduce risk of toll fraud
- Special optional cards that dial your number only
- A competitive surcharge for each non-direct-dial call applies (virtually all of our competitors have similar charges)

About surchages

You should know that most companies have surcharges for certain types of calls — but they may not identify them. Some companies claim "no surcharge" while billing the first minute of a call at a much higher rate than for subsequent minutes. Contact your GTE representative for answers to your questions about surcharges.

For more information on the GTE Long Distance Calling Card, or to sign up over the phone, just call 1-800-GTE-3737.

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Products and Services

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Calling Services from GTE



Maximize The Value Of Your Phone Line: Optional services can help you save steps and save time in using your phone, and are easily added to your phone line. GTE Calling Services help you get through to important people, and help the people you care about most get through to you.

Now You Can Get The Services You Want ... At Great Savings: Customize your package of four or more GTE Calling Services and receive a 20% to 40% discount- on each service - every month. GTE Calling Services you already have count toward your discount. This discount is available to residential customers in most states who have four or more individual qualifying GTE Calling Services on a single bill.

- *66 Busy Redial: Don't waste your time dialing the same number over and over. *1616 will monitor busy phone numbers for up to 30 minutes, alert you with a special ring when the line is free, and automatically connect you with the desired party. This feature is available for 75 cents-per-use in some areas, or for a low monthly charge.
- *69 Call Return: Never miss a call! If you don't get to a ringing phone in time, *1619 dials the number of the last call received. Or, if you're on an important call and hear a Call Waiting tone, just press *1619 when you hang up, and you'll automatically call whoever was trying to reach you. This feature is available for 75 cents-per-use in some areas, or for a low monthly charge.
- Call Forwarding: Have your calls follow you wherever you go. Call Forwarding forwards all your incoming calls to another telephone number you specify so you can leave home and still be reached. Press 712# and enter the phone number where you want your calls forwarded. Two short tones will verify Call Forwarding is activated. Press 7131# to turn it off.
- Special Call Forwarding: Lets you forward only the calls you want to receive so you won't be bothered by unimportant calls when you're away from home or on your mobile phone. Up to 12 calls can be

forwarded. Press ***1613** and follow the voice prompts.

- Call Waiting: Don't let your phone's busy signal prevent an important call from getting through to you. With Call Waiting, you can answer an incoming call when you're on the phone. It's like having the convenience of two phone lines. A soft tone alerts you of another incoming call when you're on the line so you can alternate between callers, if you choose. When you hear the Call Waiting tone, press and release the telephone hookswitch or Flash button to answer the incoming call. Press and release the hookswitch or Flash button again to return to the original call.
- Cancel Call Waiting: Use this service on those important personal calls, or when you're sending a FAX or a data file online, when you don't want the call to be interrupted by a Call Waiting tone. Cancel Call Waiting lets you turn off the Call Waiting feature. Press *170 before you make the call, listen for three tones followed by a normal dial tone, then dial the phone number you are calling.
- Speed Calling 8 & Speed Calling 30: Call your loved ones with the touch of a button and have emergency numbers at your fingertips. These two services store either 8 or 30 of your most important numbers, and once you've programmed one phone, it will work from any phone in the house. To program Speed Calling 8, press 74 , enter the one-digit code you want to assign, and key-in the telephone number you want the code to represent. To program Speed Calling 30, press 75 , enter the two-digit code you want to assign using numbers 20 through 49, and key in the telephone number you want the code to represent. To call a Speed Calling number, simply enter the assigned code and press 7.
- Three-Way Calling: At last, an easy way to coordinate plans without making endless calls back and forth. Three-Way Calling lets you bring a third party on to a call. To set up a three-way call, press and release the hookswitch or Flash button to put the first caller on hold, listen for three tones followed by a dial tone and call the third telephone number. To reconnect with the original caller when the third person answers, simply press and release the hookswitch.
- Call Block: Prevents unwanted calls or interruptions. Lets you select up to 12 phone numbers to be blocked from reaching you. Callers from these numbers will hear a recorded announcement stating that you are not currently accepting calls. Press *60 and follow the voice prompts.
- Special Call Acceptance: For those special moments and quiet times, make your phone list exclusive to 12 callers you choose. Other callers receive a polite announcement that says you are not presently receiving calls. Press *64 and follow the voice prompts.

- Distinctive Ring: Less costly than a second line, Distinctive Ring gives you two different numbers on your single phone line. You can use one number for yourself and assign the second number to another family member or for your FAX machine. A special ring will let you know which number has been dialed, so you'll know instantly if the call is for you, someone else or for your FAX.
- VIP Alert: Lets you know when a very important person is calling. Identifies up to 12 callers with a special ring. Press *61 and follow the voice prompts.
- Call Tracing Service: Lets you trace harassing, threatening or obscene phone calls anytime, day or night. The call record is stored in GTE's system for ten days. Press *1517. To take legal action, record the exact date and time of the call and contact GTE within 10 days at the number provided by the recording.

One Source For All Your Telecommunications Needs: If you have GTE as your local phone service provider and you order Calling Services from GTE, you can have these services on one bill. In fact, if you sign up for any other GTE service such as Long Distance, Internet access, Wireless phone service or paging, you can now get all these charges on GTE One BillSM Service (check for availability in your area).

Questions about how to use your GTE Calling Services features? Check out our online User Guide: How Do I Use My Residential Calling Services?

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Exhibit B

PRODUCTS CUSTOMER SHOUT CAREERS AND SERVICES

PRODUCTS SUPPORT GTE ATGTE

One Bill Service



All on One Bill

Imagine your home phone, long distance, cellular, paging and Internet charges arriving on one easy-to-read statement. Just one check, one stamp, once a month! This convenient, time-saving service is available at no additional charge.

Your One Bill statement includes a summary of your GTE telecommunications charges, plus detailed individual sections for each service, handy for reference or expense reporting. And you can change your One Bill option at any time and return to receiving separate bills.

How To Enroll in One Bill Service To find out if One Bill is available in your area, please enter your ZIP code below. *Note: Not all services are available on One Bill in all areas at this time.*

ZIP code: Start Search

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CERTIFICATE OF SERVICE

I hereby certify that on this 23rd day of November, 1998 I have served copies of the foregoing Pilgrim Telephone Request For Conditions On Bell Atlantic/GTE Merger by placing a true and correct copy of the same in the United States mail, postage prepaid, addressed to the following:

William P. Barr Executive Vice President – Government and Regulatory Advocacy and General Counsel GTE Corporation One Stamford Forum Stamford, Connecticut 06904

James R. Young
Executive Vice President – General Counsel
Bell Atlantic Corporation
1095 Avenue of the Americas
New York, New York 10036

and by hand delivery of a true and correct copy to the following:

Janice Myles
Federal Communications Commission
Policy and Program Planning Division
Common Carrier Bureau
1919 M Street, N.W.
Room 544
Washington, D.C. 20554

International Transcription Service, Inc. 1231 20th Street, N.W. Washington, D.C. 20036

To-Quyen Truong
Federal Communications Commission
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1919 M Street, N.W.
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Lee Mullins